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JANUARY 9, 1984

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FORTUNE

AMERICA'S MOST ADMIRED CORPORATIONS

A FORTUNE SURVEY

WHAT'S AHEAD FOR THE ECONOMY: THE NEXT 18 MONTHS, INDUSTRY BY INDUSTRY

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Applause, applause for the best-regarded U.S. companies—that's the message of Vivienne Flesher's cover drawing. For the results of FORTUNE's survey of 250 corporate reputations, see page 50.

FORTUNE

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FORTUNE (ISSN 0015-8259), January 9, 1984, Vol. 109, No. 1. Issued biweekly by Time Inc., 3435 Wilshire Blvd., Los Angeles, Cal. 90010. Second-class postage paid at Los Angeles, Cal., and at additional mailing offices. Subscriptions: U.S., U.S. possessions: one year $39, Canada: one year $49. Address all subscriptions and correspondence concerning them to FORTUNE, 541 North Fairbanks Court, Chicago, Ill. 60611. Principal offices: Time & Life Building, Rockefeller Center, New York, N.Y. 10020. Address correspondence concerning editorial material to FORTUNE, Time & Life Building, Rockefeller Center, New York, N.Y. 10020. J. Richard Munro, President, E. Thayer Bigelow, Treasurer, Charles B. Bear, Secretary. Authorized as second-class mail by the Post Office Department, Ottawa, Canada, and for payment of postage in cash. Member, Audit Bureau of Circulations. POSTMASTER: Send address changes to FORTUNE, Time & Life Building, 541 North Fairbanks Court, Chicago, Ill. 60611. © 1983 Time Inc. All rights reserved. Reproduction in whole or in part without permission is prohibited. FORTUNE is a registered mark of Time Incorporated.

SURVEY/NANCY J. PERRY

AMERICA'S MOST ADMIRED CORPORATIONS

■ For the second year, IBM is the most admired of the largest U.S. corporations and International Harvester is the least admired. Between the extremes of top and bottom, many companies changed ranks in FORTUNE's second annual survey of corporate reputations, expanded this year to cover 250 companies in 25 industries. The standing of some companies—such as Motorola, Lockheed, and General Foods—has gone up, in some cases sharply. Other companies—among them Northrop, Martin Marietta, and Beatrice Foods—have dropped in the rankings.

The five industries added this year are mining and crude-oil production; apparel; publishing and printing; glass, concrete, abrasives, and gypsum; and beverages. These industries contributed four companies to the ten-most-admired list: Dow Jones, publisher of the *Wall Street Journal*; Time Inc., publisher of FORTUNE; Anheuser-Busch; and Coca-Cola. Without the new industries, General Mills and Eastman Kodak would have remained among the ten most admired companies. Instead, they rank 12th and 13th, respectively. AT&T, SmithKline Beckman, and Digital Equipment, all among the most admired last year, would not have made the top ten this year even if new industries had not been added.

The newly added industries contributed two companies to the ranks of the least admired: Manville and Pabst Brewing. Three companies besides International Harvester are among the least admired group for the second time—Pan Am, American Motors, and Republic Steel.

Two other airlines—Eastern and Trans World—landed in the least admired ranks this time around, as did U.S. Steel, now classified as a petroleum refining company because of its acquisition of Marathon Oil. Warner Communications, also among the least admired for the first time, was not ranked before because it was not one of the ten largest companies in the electronics and appliances industry.

Of the six companies that were on the least admired list last year but are not there this year, only one—Crown Zellerbach—would have stayed in the cellar if new industries had not been added. A&P, Woolworth, and Tesoro Petroleum disappeared from the survey altogether; they were no longer among the ten largest companies in their industries. Two of last year's least admired companies, RCA and National Steel, are now more highly regarded. Both are trimming down. RCA is selling CIT, a financial services company, to Manufacturers Hanover. National Steel—now part of a new holding company, National Intergroup—is selling Weirton Steel to employees. Observes Merrill Lynch Vice President Charles Ryan, "Divestment and redeployment of assets is the hot strategy today."

To earn a triple-A reputation, FORTUNE's survey suggests, it is first necessary to earn money consistently. The most recent year any of the most admired group lost money was 1947, when Boeing took a nose dive. Of the five companies in the top ten for the second time, only Merck has ever reported an unprofitable year, back in 1921. The group's median return on stockholders' equity in 1982 was 18.1%, compared with 10.9% for the FORTUNE 500. Seven of the ten least admired companies lost money in 1982. As U.S. Steel's chief financial officer, W. Bruce Thomas, wryly says, "It's difficult to rank very high after you've lost $361 million."

THE LEAST ADMIRED group's median total return to investors (a figure that includes both price appreciation and dividend yield) was a *negative* 4.2% over the past ten years. But apparently a company doesn't have to reward its owners handsomely over the long term to be well thought of. The ten most admired companies provided a ten-year median total return to investors of 6.3% a year—well below the FORTUNE 500's median return of 9.3%. With the outlook improving

The most admired

Five companies are new among the most admired: Dow Jones, Time Inc., Anheuser-Busch, Coca-Cola—all from industries not surveyed last year—and Boeing. The scores are averages of ratings on eight key attributes.

Rank	Company	Industry Group	Score
1	**IBM**	Office equipment, computers	**8.53**
2	**Dow Jones**	Publishing, printing	**8.35**
3	**Hewlett-Packard**	Office equipment, computers	**8.24**
4	**Merck**	Pharmaceuticals	**8.17**
5	**Johnson & Johnson**	Pharmaceuticals	**8.15**
6	**Time Inc.**	Publishing, printing	**7.99**
7	**General Electric**	Electronics, appliances	**7.96**
8	**Anheuser-Busch**	Beverages	**7.91**
9	**Coca-Cola**	Beverages	**7.87**
10	**Boeing**	Aerospace	**7.79**

Rank	Company	Industry Group	Score
250	**International Harvester**	Motor vehicles and parts	**3.64**
249	**Eastern Air Lines**	Transportation	**3.85**
248	**Manville**	Glass, concrete, abrasives, gypsum	**3.87**
247	**Pan Am**	Transportation	**4.19**
246	**American Motors**	Motor vehicles and parts	**4.21**
245	**Republic Steel**	Metal manufacturing	**4.47**
244	**Pabst Brewing**	Beverages	**4.57**
243	**Trans World**	Transportation	**4.58**
242	**Warner Communications**	Electronics, appliances	**4.60**
241	**U.S. Steel**	Petroleum refining	**4.69**

The least admired

International Harvester, Pan Am, American Motors, and Republic Steel languish for the second year among the least admired. All others are new; Pabst and Manville are in industries that were not surveyed last year.

EIGHT KEY ATTRIBUTES OF REPUTATION

Quality of management

Most admired	Score
IBM	9.16
Hewlett-Packard	8.75
Dow Jones	8.70

Least admired	Score
Warner Communications	3.93
Continental Illinois	4.36
International Harvester	4.40

Quality of products or services

Most admired	Score
Dow Jones	9.06
Boeing	9.02
Anheuser-Busch	8.64

Least admired	Score
Eastern Air Lines	4.91
Pan Am	5.17
Warner Communications	5.18

Innovativeness

Most admired	Score
Citicorp	8.69
Merrill Lynch	8.35
Time Inc.	8.26

Least admired	Score
International Harvester	4.21
U.S. Steel	4.24
Greyhound	4.34

Long-term investment value

Most admired	Score
IBM	8.88
Dow Jones	8.39
Hewlett-Packard	8.08

Least admired	Score
Eastern Air Lines	2.45
International Harvester	2.72
Manville	2.81

for some companies, median total return for 1982 of the least admired moved to the positive side: 4.1%. And good reputation was rewarded at last: the FORTUNE 500's median total return of 21.2% in 1982 was less than half the most admired group's 56.8%.

FORTUNE polled over 7,000 corporate executives, outside directors, and financial analysts; half responded. Those surveyed were asked to rate only the ten largest companies in their own industry, using a scale of 0 (poor) to 10 (excellent), on eight key attributes of reputation: quality of management; quality of products or services; innovativeness; long-term investment value; financial soundness; ability to attract, develop, and keep talented people; community and environmental responsibility; and use of corporate assets. For how each company ranks within its industry, see pages 56 to 62.

The industries surveyed are 25 of the largest in the FORTUNE 500 and FORTUNE Service 500 directories of U.S. industrial and non-industrial corporations. Industries with fewer than ten companies in the directories —cosmetics, tobacco, and rubber—were excluded from the survey. The industry groups are based on categories established by the U.S. Office of Management and Budget. Companies are assigned to industry groups according to the business that contributed most to 1982 sales (or assets, for certain industries). These criteria sometimes put a company into a category where it does not feel at home.

Household International, for example, is a

Financial soundness

Most admired	Score
IBM	9.45
General Electric	8.88
Dow Jones	8.80

Least admired	Score
International Harvester	1.44
Eastern Air Lines	1.96
Manville	2.34

Ability to attract, develop, and keep talented people

Most admired	Score
Hewlett-Packard	8.42
IBM	8.39
Merck	8.29

Least admired	Score
International Harvester	2.85
American Motors	3.55
Manville	3.80

Community and environmental responsibility

Most admired	Score
Johnson & Johnson	8.44
Eastman Kodak	8.26
IBM	7.95

Least admired	Score
Manville	3.12
International Harvester	4.33
Gulf & Western	4.44

Use of corporate assets

Most admired	Score
IBM	8.47
Dow Jones	8.26
Hewlett-Packard	8.01

Least admired	Score
International Harvester	3.30
Eastern Air Lines	3.69
Manville	3.85

diversified company—its four major subsidiaries include Household Finance—that derives more than half its revenues from retailing. Before the survey results were tabulated, Chief Executive Donald C. Clark protested that his company was being assessed by people knowledgeable about retailing but not necessarily about Household International. He feared that this might depress its ranking—and he may have been right. Household trails the retailing list.

In remaining the most admired company, IBM scored higher this year than last, perhaps in part because the survey was made as the PCjr home computer was about to be introduced. IBM received a near-perfect 9.45 for financial soundness—the highest score awarded a company on any attribute. (For an analysis of recent untoward movements in IBM's formidable stock, see page 117.) The company's leaders drew a 9.16 score for quality of management. Explains security analyst Ulric Weil of the Morgan Stanley investment banking firm, "They have performed rather flawlessly."

No. 2-ranked Dow Jones took top honors for quality of products or services—one of only two categories in which IBM failed to appear among the three leaders. (The other was innovativeness.) Dow Jones was second only to IBM for investment value and use of corporate assets.

Hewlett-Packard, No. 3, was rated with the precision-instruments group last year, but now gets more revenues from computers than from instrumentation. For the sec-

VIEWS FROM THE TOP—AND BOTTOM

■ To learn how chief executives of corporations ranked in FORTUNE's survey of reputations see their companies, reporter Nancy J. Perry talked with 11. Excerpts from interviews with the head men of the three top-ranked companies and the last-ranked one:

ERICH HARTMANN—MAGNUM

John R. Opel, IBM

On IBM's top ranking: I think this is the finest industrial enterprise in the world. I've thought that for a long time.

On the company's key strengths: A commitment to excellence and a commitment to customer service. The fundamental thing is that the people who work in the company make it a good company. That's really the secret: the people. It's our good fortune to have superior people who work hard and support each other. They have adapted to our set of basic beliefs—the standards we expect of one another—and follow those standards in dealing with one another and with people outside the company. I know it sounds corny, but it's true, and there's no point in trying to analyze it much more than that. Mr. Watson Sr. [IBM founder Thomas J. Watson Sr.] used to say, "You can take my factories, burn up my buildings, but give me my people and I'll build the business right back again." And he was right. There really isn't much magic. It's not feathers and mirrors, it's human qualities that make our company strong.

On the kind of people IBM looks for: We're a positive bunch of people, the kind who like to do creative things. I believe that like begets like. You look for people with the same qualities as other people who are building the company.

On why IBM doesn't rank at the top for innovativeness: I don't really understand it. We've got a patent portfolio that testifies to our technical innovations, and we've got a remarkably successful marketing organization that does some very creative things every day. They can't just go out and say, "Want some shoelaces, Mister?"

On whether IBM is too aggressive or powerful: I get confused by the point of view in our industry that there's a zero-sum game here—that the only way IBM can win is for somebody else to lose. That's not so. We're in an industry that's growing at an enormous rate, and there is a tremendous opportunity for lots of people. So you don't have to be aggressive, whatever that means, or powerful. Some people write about us and say things like, "Their products are okay, but their sheer size—*Big Blue*." And I guess it bothers me a little bit, because I know a lot of people in IBM and I don't ever think of them as being aggressors or predators or Big Blues, crushing people—do you?

If any of us in our company behave in any way that reinforces the idea of smugness or power or arrogance, then our image could be severely tarnished. People aren't comfortable with the idea that IBM is *always* good. "Always" is the kind of term that, in America at least, provokes, "Oh *yeah*?"

That's the kind of thing that troubles me a little bit. The hero of today can become the bum of tomorrow.

DOW JONES & CO.

Warren H. Phillips, Dow Jones

On profits and reputation: Reputation comes primarily out of a long tradition of trying to set very high standards, in the sense of content [of Dow Jones publications], responsiveness to the customer, delivery, and so forth. Profit is not the No. 1 goal—it's serving the public. Profits come out of that, and then get turned back into improving the business. Return on investment and earnings are means to an end, not ends in themselves. We turn down millions of dollars a year in ads for issues or products we consider objectionable.

We just won a court case preventing the Chicago Board of Trade from using the Dow Jones averages as a basis for index trading. We were offered royalties, but we don't want people to think we are participants in markets we cover. It's all related to our independence. We don't want our reputation to be tainted by the appearance that outsiders can influence our news columns.

On sticking to one's knitting: We are a provider of news and information. Everything we do is related to that.

On quality as a corporate goal: Lots of companies set as a goal maximization of earnings, return on equity, etc. We set high standards of performance in terms of content and quality. Financial excellence follows from that. That sounds kind of cornball, but

ond time the company was rated better than any other on attracting, developing, and keeping talented people. It was among the top three of the 250 companies for three other attributes: quality of management, investment value, and use of corporate assets. Hewlett-Packard also boasted the highest 1982 total return to investors among the most admired companies: 84.8%.

Fourth-ranked Merck, a $3.1-billion-a-year company noted for heavy investment in research and development, ranks among the top ten companies on all eight attributes. It received the highest score among drug companies for quality of products: 8.45.

The reputation of Johnson & Johnson (No. 5) was clearly not hurt by the deaths in September 1982 of seven people in Chicago who swallowed Tylenol capsules that someone had packed with cyanide. The company voluntarily withdrew the drug at a pretax cost of over $100 million and gets high marks for its handling of the tragedy, scoring first among the 250 companies for community responsibility. Says Chairman James Burke, who notes that Johnson & Johnson suffered another blow when the pain reliever Zomax was withdrawn because of a harmful side effect, "We really cashed in on the reputation of 90 years of this company."

Sixth among the most admired companies, Time Inc. ranks third for innovativeness and fourth for investment value and ability to attract, develop, and keep talented people.

General Electric rose this year from No. 9 to No. 7. The company rates second for fi-

we find that it works. And that is what attracts the kind of people who meet the standards we set.

On building a good reputation: I think reputations are built very slowly over many years—on consistency of service to the consumer, high ethical standards, and in the case of journalism, accuracy, reliability, and trustworthiness. And those are not built overnight. Once the public judges you well, that's great. But if you trip and do a number of things that are unreliable, untrustworthy, what you've built up can collapse overnight. The companies on your list have probably gotten there due to a long period of pursuing quality and observing strict ethical standards. I'll bet none are there because of the good job they've done in the past year or two—there must be a long period of good performance. But a bad reputation you can get overnight.

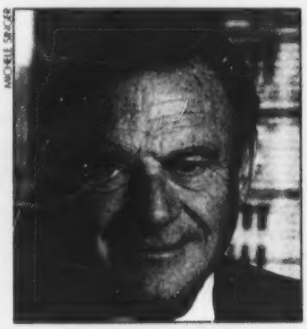
HEWLETT-PACKARD

John A. Young, Hewlett-Packard

On the value of clearly stated objectives: We have had a set of corporate objectives that have been in place, guiding the practices of our company, for years and years. Dave Packard and Bill Hewlett [founders of the company] didn't even write them down until we had been in business about 20 years. They are not a theoretical set of objectives, but rather a practical recipe on how to run a successful company. [The seven objectives concern profit ("... sufficient profit to finance our company growth ..."), customers (" ... provide products and services of the greatest possible value ... thereby gaining and holding their respect and loyalty"), fields of interest, growth, people, management, and citizenship ("... honor our obligations to society ...").] The corporate objectives provide the basic framework for the management-by-objectives system, which gives individual managers a lot of freedom to be entrepreneurial and innovative. They are a kind of glue—the basic philosophy, the basic sense of direction, sort of a value set—that draws everyone together.

On research and development: We spent half a billion dollars on research and development last year—the third-largest private electronic R&D program in the U.S. [after IBM and Bell Laboratories]. There is a lot of risk-taking, a lot of innovation. If you take any given year, half of our orders will come from products introduced in the preceding three years. That is one of the hallmarks of our company—this ability to come up with new products.

On getting and keeping good people: Within the last year we hired probably 1,500 young people directly from college. We have a very consistent college recruiting program, perfected over many years, to identify and hire the brightest young people. And then the challenge is to create the kind of environment where those people see their futures here, as opposed to spending all their time looking around [for jobs elsewhere]. You have to compete for people—get their attention and loyalty.


MICHAEL GRUDER

Donald D. Lennox, International Harvester

On being ranked last: Obviously I can't be objective in saying if it's a bum rap or not, but it's a difficult thing for me to understand. Our stock has gone up in the past year, and we have gained market share in trucks and tractors. We're holding our market share in self-propelled combines. Those things say that the perception is that Harvester's products are good, the investment is good, and so forth. So apparently the perceptions revealed here are not inhibiting our sales in the marketplace.

On loyalty: One of the gratifying things to me is that our top managers have stuck with us. There are times when you look around and say, "What the hell am I doing here?" But a spirit has developed: "By God, we want to be a member of the team that pulls International Harvester through these hard times. We think it can be done, and we will prove to the public we can do it." That's the only explanation I can offer why individuals who have had no bonuses and 20% salary cuts, who've had substantial salary increases offered them by other companies, did not leave. God bless 'em, because it's been a tough, long fight. And you don't get much psychic income when you go to meetings or parties and people ask who you're with. You say International Harvester, and they roll their eyes like, "Oh, my God—you've got problems."

On Harvester's future: I think next year at this time we ought to be smiling a bit.

nancial soundness and fourth for wise use of assets. The latter rating may reflect in part the planned sale of Utah International to Broken Hill Proprietary, Australia's largest industrial company, for nearly $2 billion. Utah International, a mining company, no longer fits into GE's strategic plan.

Two beverage companies joined the most admired list—Anheuser-Busch, No. 8, and Coca-Cola, No. 9. Best known for Budweiser and Michelob, the world's largest brewer is third—behind Dow Jones and Boeing—on quality of products. Coca-Cola is the only member of the most admired group that doesn't rank among the top three for any attribute. It outscores Anheuser-Busch, however, on long-term investment value, financial soundness, and innovativeness.

Boeing ranks tenth among the most admired companies, but for financial performance, the world's leading producer of commercial jet aircraft is the highflier of the group. In the ten years through 1982, Boeing's earnings growth rate and total return to investors hovered around 25% per year, compounded. (The most admired companies as a group had a 13% median growth rate.) Of Boeing's high ranking for product quality, Chairman T. A. Wilson says: "I think we do more testing than anybody else."

Just as golden reputations aren't destroyed overnight, a corporate reputation isn't rebuilt in a day. Perceptions lag behind reality—which companies at the bottom of FORTUNE's survey find frustrating. "I have to accept that this is the way the public sees

us," says International Harvester Chairman Donald D. Lennox. Lennox argues that things are looking up for Harvester (see "International Harvester Lives!" FORTUNE, December 26). But he adds: "I guess the real world is: 'The hell with the facts—it's the perceptions.' "

Other companies on the least admired list also have brighter prospects, including Pan Am, Republic Steel, and American Motors. The automaker shifted into higher gear after forming a successful partnership with Renault, and its hot-selling Alliance was *Motor Trend* magazine's 1983 car of the year. But it will take time to overcome 14 consecutive quarterly losses.

Metal manufacturers are not admired these days: the industry received the survey's lowest median score (5.51). But Republic Steel hopes to prove its mettle; the company plans to merge with Jones & Laughlin, making it part of a company that will have the second-largest steelmaking capacity in the U.S.

Pan Am, recovering from a $485-million loss in 1982, is described by security analysts as the up-and-comer in an industry that is still encountering downdrafts. Eastern, rated lowest of the 250 companies for quality of services and investment value, recently threatened bankruptcy (see page 111). TWA is continuing to lose money, and its parent, Trans World, is spinning it off.

NOW SEEKING to reorganize under Chapter 11, Manville was rated only 2.34 on a scale of ten on financial soundness and 2.81 on long-term investment value. The company faces up to 52,000 suits alleging that exposure to asbestos products caused serious illnesses and deaths. It ranks lowest of the 250 on community responsibility. At Pabst, where for years the biggest thing brewing was problems, the outlook has been more ail than ale. Pabst lost $23.5 million in 1981 and made just $2.7 million in 1982. It fought off seven unsolicited takeover attempts in 18 months. Having kept its independence, says President William F. Smith Jr., the company hopes to rebuild its reputation by giving undivided attention to selling beer.

Fierce competition in the home computer market and misjudgment of demand for video games led to a $536-million loss in the first nine months of 1983 for Warner Communications' Atari division. In September an Atari plant dumped 14 truckloads of video cartridges and computer equipment at the city landfill in Alamogordo, New Mexico. Scoffs an analyst, "That's not real good inventory management." The company says the products were defective. Warner was judged to have the poorest quality of management of all 250 companies.

U.S. Steel's reputation was corroded by a number of elements, including inefficient steel operations, poor finances, and a controversial plan to import steel slabs from British Steel. Sums up analyst John Tumazos of Oppenheimer & Co., a brokerage house, "They've stepped on lots of toes." U.S. Steel was rated among the bottom three companies for innovativeness.

■ The most admired U.S. companies believe that their ultimate success depends on how they are perceived by the public. "Consumers trust certain companies," says August Busch III, chairman of Anheuser-Busch. "Consumers trust IBM. Consumers trust an Anheuser-Busch product. They trust a Boeing airplane." Repeatedly, corporations with first-class reputations are seen to put quality, integrity, and respect for the customer alongside profits on the bottom line.

HOW COMPANIES RANK IN 25 INDUSTRIES

The industry groups are based on categories established by the U.S. Office of Management and Budget. Each company is assigned to an industry group according to the business that contributed most to 1982 sales (or assets, for certain industry groups).

Aerospace

Boeing ranks first in all attributes except financial soundness, for which United Technologies gets the palm. The big movers were Lockheed (up) and Northrop and Martin Marietta (down). Martin Marietta, bruised in fighting off a Bendix takeover, rates lowest on financial soundness and attracting and keeping talented people.

Rank	Last Year	Company	Score
1	1	**Boeing**	**7.79**
2	2	**United Technologies**	**7.16**
3	4	**Rockwell International**	**6.93**
4	8	**Lockheed**	**6.84**
5	7	**General Dynamics**	**6.81**
6	6	**McDonnell Douglas**	**6.73**
7	3	**Northrop**	**6.70**
8	—	**Signal Companies**[1]	**6.57**
9	5	**Martin Marietta**	**6.26**
10	9	**Grumman**	**6.12**

[1]Ranked sixth in the motor vehicles and parts industry last year.

HOW COMPANIES RANK IN 25 INDUSTRIES

Apparel

Included in the survey for the first time, the apparel industry is led by jeans makers Levi Strauss and VF (its brand is Lee). Gulf & Western now gets more revenue from apparel and hosiery than from other products. The company has sold off its investment portfolio and some divisions, but still ranks lowest in the industry on asset management.

Rank[1]	Company	Score
1	Levi Strauss	7.54
2	VF	7.39
3	Hartmarx	6.96
4	Interco	6.69
5	Warnaco	6.62
6	Cluett Peabody	6.09
7	Palm Beach	5.83
8	Blue Bell	5.72[2]
9	Gulf & Western Industries[3]	5.72[2]
10	Kellwood	5.36

Beverages

In another industry surveyed for the first time, Anheuser-Busch scores highest on five attributes of reputation, including product quality (for which the maker of Budweiser and Michelob is third among all 250 companies surveyed). Coca-Cola was judged strongest on investment value and financial soundness, PepsiCo on innovativeness.

Rank[1]	Company	Score
1	Anheuser-Busch	7.91
2	Coca-Cola	7.87
3	PepsiCo	7.05
4	G. Heileman Brewing	6.88
5	Joseph E. Seagram & Sons	6.70
6	Brown-Forman Distillers	6.67
7	General Cinema	6.61
8	Heublein[4]	6.09
9	Adolph Coors	6.06
10	Pabst Brewing	4.57

Chemicals

Du Pont scores highest among chemical companies on six attributes, but only fourth on wise use of assets—a category won by Monsanto, which was also judged first on financial soundness. If only security analysts had voted, Monsanto would have been No. 1. Hercules was not quite large enough to be included in last year's survey.

Rank	Last Year	Company	Score
1	1	Du Pont	7.41
2	3	Monsanto	6.88
3	2	Dow Chemical	6.61
4	–	Hercules[5]	6.26
5	4	Union Carbide	6.13
6	8	American Cyanamid	5.97
7	7	W.R. Grace	5.75
8	9	Allied	5.59
9	–	FMC[6]	5.57
10	10	Celanese	5.08

Commercial banking

Citicorp and BankAmerica are the biggest U.S. banks, but BankAmerica lags behind its larger rival in the eyes of their peers. BankAmerica scores at the top on just one attribute: community responsibility. Citicorp is first on innovativeness—one analyst says it "will try damn near anything." J.P. Morgan leads on all other attributes.

Rank	Last Year	Company	Score
1	1	J.P. Morgan	7.62
2	2	Citicorp	7.37
3	–	Security Pacific[5]	6.82
4	5	Bankers Trust New York	6.55
5	4	First Interstate Bancorp	6.23
6	3	BankAmerica	6.17
7	7	Manufacturers Hanover	6.12
8	6	Chemical New York	6.11
9	9	Chase Manhattan	5.67
10	10	Continental Illinois	4.89

[1]This industry was not surveyed last year.
[2]Tie. Blue Bell scores higher than G&W on five of eight attributes.
[3]Ranked seventh in the metal products industry last year.
[4]Wholly owned by R.J. Reynolds Industries.
[5]Not ranked last year.
[6]Ranked eighth in the industrial and farm equipment industry last year.

HOW COMPANIES RANK IN 25 INDUSTRIES

Diversified financial

This is the first outing for two companies in an otherwise little-changed group: American General, which joined the ranks of the ten largest diversified financial companies, and Cigna. Cigna was formed by the merger of Connecticut General (third on the life insurance list) and INA (sixth last year on the diversified financial list).

Rank	Last Year	Company	Score
1	1	Merrill Lynch	7.49
2	2	American Express	7.44
3	3	First Boston	7.05
4	–	American General[1]	6.32
5	5	Travelers Corp.	6.18
6	4	Aetna Life & Casualty	6.16
7	–	Cigna[1]	6.05
8	9	Federal Natl. Mortgage Assn.	5.90
9	8	Great Western Financial	5.86
10	10	H.F. Ahmanson	5.59

Diversified services

The most admired company in this group last year, American Hospital Supply, is no longer among the industry's ten largest. Phibro-Salomon, a commodities and securities trader, scores highest on every attribute but investment value (Halliburton, oil field services, is No. 1) and community responsibility (Super Valu Stores).

Rank	Last Year	Company	Score
1	2	Phibro-Salomon	7.08
2	3	Halliburton	6.83
3	4	Super Valu Stores	6.73
4	5	Fluor	6.38
5	7	McKesson	6.29
6	6	Fleming Companies	6.17
7	8	CBS	6.09
8	–	RCA[2]	5.47
9	–	City Investing[1]	5.42
10	–	Farmland Industries[1]	5.36

Electronics, appliances

Motorola, judged first for innovativeness, jumped four places, falling in behind General Electric. (GE is first on all other attributes.) ITT and Litton Industries, both No. 8, not only got identical total scores, but each also was ahead of the other on four attributes—meaning that applying the usual tie breaker left the two still tied.

Rank	Last Year	Company	Score
1	1	General Electric	7.96
2	6	Motorola	6.98
3	2	Emerson Electric	6.87
4	3	Western Electric[3]	6.86
5	4	Raytheon	6.73
6	5	Texas Instruments	6.06
7	7	Westinghouse Electric	5.97
8	9	ITT	5.84[4]
8	8	Litton Industries	5.84[4]
10	–	Warner Communications[1]	4.60

Food

General Mills remains the toast of the industry, ranking first on all attributes, and Greyhound—rated here because of Armour Food (now sold)—continues to toil in the scullery. General Foods, scoring high on quality of products and financial soundness, moves up to No. 2, while Beatrice, rated lowest on asset use, sinks three places.

Rank	Last Year	Company	Score
1	1	General Mills	7.73
2	5	General Foods	6.82
3	4	Dart & Kraft	6.62
4	2	Nabisco Brands	6.53
5	3	CPC International	6.36
6	7	Ralston Purina	6.35
7	–	Consolidated Foods[1]	6.10
8	8	Borden	5.90
9	6	Beatrice Foods	5.35
10	10	Greyhound	4.91

[1]Not ranked last year.
[2]Ranked tenth in the electronics and appliances industry last year.
[3]Wholly owned by AT&T.
[4]Tie. Each scores higher than the other on four of eight attributes.

Forest products

Georgia-Pacific slips. International Paper and Champion climb a notch. Again No. 1, Kimberly-Clark scores highest on five attributes. Weyerhaeuser leads on financial soundness, investment value, and community responsibility. Crown Zellerbach bottoms out on seven attributes, Georgia-Pacific on community responsibility.

Rank	Last Year	Company	Score
1	1	Kimberly-Clark	6.94
2	2	Weyerhaeuser	6.58
3	3	Boise Cascade	6.00
4	5	International Paper	5.84
5	6	Champion International	5.71
6	4	Georgia-Pacific	5.61
7	7	St. Regis	5.35
8	9	Scott Paper	5.33
9	8	Mead	5.20
10	10	Crown Zellerbach	4.88

Glass, concrete, abrasives, gypsum

Scores of this group, new this year, are skimpy at best: Corning's highest attribute rating, on product quality, is 7.77. Manville scores among the three lowest of 250 companies on four attributes, including financial soundness and investment value, and lowest on environmental responsibility.

Rank[1]	Company	Score
1	Corning Glass Works	6.80
2	PPG Industries[2]	6.71
3	Owens-Corning Fiberglas	6.32
4	Owens-Illinois	6.03
5	Norton	5.77
6	U.S. Gypsum	5.58
7	Libbey-Owens-Ford	5.38
8	Anchor Hocking	5.29
9	National Gypsum	5.03
10	Manville	3.87

Industrial, farm equipment

Deere and Caterpillar Tractor swap places at the top this year, with Deere rated first in the industry on five attributes. Caterpillar leads on product quality, Combustion Engineering on financial soundness, and Teledyne on use of assets. Baker wasn't big enough to be ranked last year.

Rank	Last Year	Company	Score
1	2	Deere	7.02
2	1	Caterpillar Tractor	6.55
3	7	Teledyne	6.47[3]
4	6	Borg-Warner	6.47[3]
5	5	Combustion Engineering	6.35
6	4	Dresser Industries	6.17
7	–	Textron[4]	6.13
8	–	Baker International[5]	5.98
9	10	Kidde	5.57[6]
10	9	Ingersoll-Rand	5.57[6]

Life insurance

The tenth-largest life insurance company, Northwestern Mutual, is again the most admired. The second largest, Metropolitan, is still the least admired. In between, only John Hancock held its place. This industry is not rated on investment value—all but Aetna, Travelers, Connecticut General, and Teachers are mutual companies.

Rank	Last Year	Company	Score
1	1	Northwestern Mutual	7.29
2	3	Prudential	6.91
3	4	Connecticut General Life[7]	6.48
4	2	Aetna Life[8]	6.40
5	6	Travelers[9]	6.32
6	5	Teachers Insurance & Annuity	6.05
7	7	John Hancock Mutual	6.04
8	9	New York Life	6.02
9	8	Equitable Life Assurance	5.80
10	10	Metropolitan	5.66

[1]This industry was not surveyed last year.
[2]Ranked fifth in the chemicals industry last year.
[3]Tie. Teledyne scores higher than Borg-Warner on five of eight attributes.
[4]Ranked second in the metal products industry last year.
[5]Not ranked last year.
[6]Tie. Kidde scores higher than Ingersoll-Rand on five of eight attributes.
[7]Wholly owned by Cigna.
[8]Wholly owned by Aetna Life & Casualty.
[9]Wholly owned by Travelers Corp.

HOW COMPANIES RANK IN 25 INDUSTRIES

Metal manufacturing

Alcoa is once again first in the eyes of its industry: the company rates at the top on every attribute of reputation. Alcoa's highest score is for quality of products or services. Republic Steel, 245th among the 250 companies surveyed, ranks lowest in its industry on all counts; last year it was lowest on only five attributes.

Rank	Last Year	Company	Score
1	1	Alcoa	6.90
2	4	Inland Steel	5.89
3	3	Northwest Industries	5.73
4	5	Reynolds Metals	5.63
5	2	Armco	5.59
6	6	LTV	5.42
7	9	National Steel[1]	5.12
8	–	Kaiser Aluminum & Chemical[2]	5.08
9	7	Bethlehem Steel	5.02
10	10	Republic Steel	4.47

Metal products

Third largest of the companies in this group, Gillette—here for its razor blades—rates highest on every attribute, as it did last year. Chromalloy American is last for the second year, scoring lowest on five attributes. National Can is at the bottom on three: investment value, innovativeness, and ability to attract, develop, and keep talented people.

Rank	Last Year	Company	Score
1	1	Gillette	7.08
2	–	Parker-Hannifin[2]	6.47
3	3	Continental Group	6.25
4	5	Foster Wheeler	6.21
5	–	CBI Industries[2]	6.09
6	9	American Can	5.92
7	–	Harsco[2]	5.87
8	–	Crown Cork & Seal[2]	5.80
9	8	National Can	5.47
10	10	Chromalloy American	5.32

Mining, crude-oil production

These companies all aim to extract riches from mines or wells, and for many of them 1983 was not the best of years. Mitchell Energy ranks highest on all attributes of reputation except financial soundness and quality of products or services; on those attributes Superior Oil is judged best.

Rank[3]	Company	Score
1	Mitchell Energy & Development	6.71
2	Freeport-McMoRan	6.18
3	Superior Oil	6.17
4	Vulcan Materials	6.16
5	Moore McCormack Resources	6.03
6	Natomas[4]	5.40
7	Louisiana Land & Exploration	5.38
8	Westmoreland Coal	5.21
9	Occidental Petroleum	5.15
10	Amax	4.85

Motor vehicles and parts

General Motors, Ford, and Chrysler have edged up in the eyes of their peers, but TRW leads the industry again. TRW scores highest on all attributes except quality of management and innovativeness (Lazarus-like, Chrysler is higher on both) and financial soundness (General Motors).

Rank	Last Year	Company	Score
1	1	TRW	7.13
2	2	Dana	6.76
3	4	General Motors	6.63
4	–	Paccar[2]	6.44
5	3	Eaton	6.41
6	7	Ford Motor	5.95
7	8	Chrysler	5.91
8	–	Fruehauf[2]	5.14
9	9	American Motors	4.21
10	10	International Harvester	3.64

[1]Wholly owned by National Intergroup.
[2]Not ranked last year.
[3]This industry was not surveyed last year.
[4]Wholly owned by Diamond Shamrock.

Office equipment, computers

For IBM the true PC, or peculiar condition, is that it failed to score among the top three of the 250 companies for innovativeness and product quality. In its industry, IBM is second to Hewlett-Packard on these two attributes as well as on ability to attract, develop, and keep talented people.

Rank	Last Year	Company	Score
1	1	IBM	8.53
2	–	Hewlett-Packard[1]	8.24
3	2	Digital Equipment	7.24
4	3	Wang Laboratories	7.22
5	6	NCR	6.29
6	5	Control Data	5.98
7	7	Honeywell	5.79
8	8	Pitney Bowes	5.24
9	10	Sperry	5.16
10	9	Burroughs	5.04

Petroleum refining

Texaco moves up two places this year, ahead of Gulf and this industry's newcomer, U.S. Steel, which ranks last on all attributes. Shell scores highest on four attributes, while Atlantic Richfield leads on three (innovativeness, investment value, and community responsibility). The biggest of all, Exxon, is tops for financial soundness.

Rank	Last Year	Company	Score
1	1	Shell Oil	7.48
2	3	Standard Oil (Indiana)	7.36
3	2	Atlantic Richfield	7.31
4	4	Standard Oil of California	7.11
5	5	Exxon	7.01
6	6	Mobil	6.52
7	7	Phillips Petroleum	6.14
8	10	Texaco	5.84
9	9	Gulf Oil	5.60
10	–	U.S. Steel[2]	4.69

Pharmaceuticals

Only Upjohn and Warner-Lambert, at the bottom of the heap, did not change position from last year to this, but none of the moves was large. Merck and Johnson & Johnson switched positions, but are still neck and neck. Each scores highest in the industry on four attributes; both are among the most admired of the 250 companies surveyed.

Rank	Last Year	Company	Score
1	2	Merck	8.17
2	1	Johnson & Johnson	8.15
3	4	Abbott Laboratories	7.40
4	6	Pfizer	7.33
5	3	SmithKline Beckman	7.26
6	5	Bristol-Myers	7.25
7	8	American Home Products	6.95
8	7	Eli Lilly	6.80
9	9	Upjohn	6.33
10	10	Warner-Lambert	5.79

Precision instruments

Scoring highest in its industry on five attributes, including innovativeness, 3M just missed sealing a place among the ten most admired companies. It ranks 11th overall on the survey. Eastman Kodak rates highest of the group on quality of products or services, financial soundness, and community and environmental responsibility.

Rank	Last Year	Company	Score
1	3	3M	7.74
2	2	Eastman Kodak	7.66
3	4	Perkin-Elmer	7.12
4	–	EG&G[3]	7.04
5	5	Tektronix	6.65
6	7	General Signal	6.25[4]
7	6	Becton Dickinson	6.25[4]
8	9	Polaroid	6.18
9	8	Xerox	6.15
10	10	Lear Siegler	6.05

[1]Ranked first in the precision instruments industry last year.
[2]Ranked eighth in the metal manufacturing industry last year.
[3]Not ranked last year.
[4]Tie. General Signal scores higher than Becton Dickinson on four attributes and ties on another.

HOW COMPANIES RANK IN 25 INDUSTRIES

Publishing, printing

Executives, directors, and analysts of this industry, ranked for the first time, seem to speak no evil of one another—the group's median score (7.37) is the highest of any industry surveyed. Tribune Co., which went public in October, was rated last on all attributes, including investment value. R.R. Donnelley is the biggest U.S. printer.

Rank[1]	Company	Score
1	Dow Jones	8.35
2	Time Inc.	7.99
3	Gannett	7.47
4	McGraw-Hill	7.43
5	Knight-Ridder Newspapers	7.40
6	Times Mirror	7.33
7	New York Times	7.31
8	R.R. Donnelley & Sons	7.13
9	Washington Post	6.89
10	Tribune	5.76

Retailing

Sears rose three ranks, while Kroger, J.C. Penney, and four other retailers each slipped one. Federated, still leading, rates first on three attributes, including product quality. Sears was judged best on investment value and asset management, Kroger on management and innovativeness, and Penney on community responsibility.

Rank	Last Year	Company	Score
1	1	Federated Department Stores	7.03
2	5	Sears Roebuck	7.00
3	2	Kroger	6.94
4	3	J.C. Penney	6.80
5	4	Lucky Stores	6.46
6	–	Winn-Dixie Stores[2]	6.43
7	6	Safeway Stores	6.36
8	7	American Stores	6.17
9	8	K mart	6.01
10	–	Household International[2]	5.82

Transportation

In this group, as in the electronics and appliances group, there is a tie that can't be broken: two railroads, Burlington Northern and CSX, both score 6.55 and each rates ahead of the other on four attributes. Eastern rates lowest of the group on all attributes except community responsibility; Pan Am scores lowest on that attribute.

Rank	Last Year	Company	Score
1	2	United Parcel Service	7.00
2	1	Delta Air Lines	6.67
3	–	Norfolk Southern[2]	6.64
4	5	Burlington Northern	6.55[3]
4	3	CSX	6.55[3]
6	6	AMR (American Airlines)	5.94
7	7	UAL	5.86
8	8	Trans World	4.58
9	10	Pan American World Airways	4.19
10	9	Eastern Air Lines	3.85

Utilities

AT&T, facing divestiture, once again ranks highest of any utility on all eight attributes of reputation; its lowest score—an impressive 7.23—was for long-term investment value. But the company did not make this year's list of most admired U.S. corporations—nor does it rank among the top three of the 250 on any attribute.

Rank	Last Year	Company	Score
1	1	AT&T	7.62
2	2	Texas Utilities	6.83
3	3	Southern California Edison	6.59
4	4	GTE	6.48
5	5	Commonwealth Edison	6.34
6	7	Pacific Gas & Electric	6.05
7	8	Southern Co.	5.91
8	6	American Electric Power	5.86
9	–	Public Service Electric & Gas[2]	5.79
10	10	Middle South Utilities	5.56

[1]This industry was not surveyed last year.
[2]Not ranked last year.
[3]Tie. Each scores higher than the other on four of eight attributes.

PAY CUTS BEFORE THE JOB EVEN STARTS

■ To get labor costs down, companies are reviving a controversial device—the two-tier contract. The wages of future workers are lower than those of current workers in the same jobs. Since the so-called unborn workers can't squawk, such cuts are easy to make. But some labor relations experts warn that two-tier deals eventually could lead to low morale and strife.

Two-tier contracts go back to the Thirties. But they have never been as numerous or covered as many workers as now. "The number of two-tier contracts was minuscule before," says Alvin Bauman of the Bureau of Labor Statistics. Big contracts have been negotiated lately in transportation, light manufacturing, construction, retailing, and other industries (see chart). Some contracts cover thousands of employees and have spread across whole industries. Machinists at the major aircraft makers—Lockheed, McDonnell Douglas, and Boeing—have all signed two-tier agreements.

The amount companies can save from such deals is hard to estimate, since it depends on how fast current employees will be replaced by new ones. In retailing, for instance, turnover can be so great that the economic effect shows up almost immediately. But companies in hard-hit industries won't be doing much hiring because they have to recall laid-off workers first, usually at the higher wage rates. Some companies have been providing incentives for older workers to take early retirement. American Airlines, for one, has just started offering golden handshakes to high-priced senior pilots and high-level executives.

THE CLIMATE for such deals is right because labor is in oversupply and many companies are still limping out of the recession. When a negotiator for the Machinists asked his counterpart at McDonnell Douglas why the company was pushing so hard for a two-tier structure, he was told: "Because the company can get it *this* year and maybe it couldn't three years from now." Two-tier agreements are also easier to get than straight pay cuts for current workers. Kelley H. Hantz, vice president for labor relations at Lockheed Corp., calls pay cuts "a root canal job that many companies wouldn't want to try." When a company is tough enough, however, it can hammer out pay cuts for present and future workers alike (see box, next page).

Two-tier contracts take a variety of forms. In some, wages are reduced for almost all labor grades or job categories; others apply to only a few specialties. In some agreements new workers, though they start at low pay rates, can eventually rise to the wages older employees earn. In others, parity between old and new employees is ruled out forever—ensuring that these companies will have a disadvantaged class of employees working side by side with a privileged one until all the high-priced workers retire.

Though cutting pay for future workers instead of present ones seems easier for

COMPANY	UNION (Number of workers covered by contract)	ENTRY-LEVEL WAGE DIFFERENTIAL	
		New contract	Old contract
Boeing	International Association of Machinists & Aerospace Workers (26,000)	$6.70 per hour	$11.38 per hour
Lockheed	International Association of Machinists & Aerospace Workers (23,000)	$6 per hour	$8.64 per hour
McDonnell Douglas	International Association of Machinists & Aerospace Workers (3,400)	$6.73 per hour	$9.36 per hour
Giant Food	United Food & Commercial Workers International (12,000)	$5 per hour	$6.95 per hour
Safeway Stores	United Food & Commercial Workers International (6,300)	$5 per hour	$6.95 per hour
American Airlines	Allied Pilots Association (4,000)	$18,000 per year	$36,000 per year
Briggs & Stratton	Allied Industrial Workers of America (8,000)	$5.50 per hour	$8 per hour
Dow Chemical	United Steelworkers of America (2,600)	$6.895 per hour	$7.08 per hour

Creating a Class System for Workers

Corporations out to lower labor costs find that the easiest pay cuts to make are for employees yet to be hired. Above is a handful of recent major two-tier settlements. Except for the pilots at American Airlines, all wage rates are for companies' lowest job category or labor grade. How much can be saved, and how quickly, depends on how rapidly a company's work force turns over.

union leaders to accept, they are split on whether to go along with two-tier. "It's an 'I'm going to get mine and to hell with everybody else' system," says Gary E. McAdams, assistant director of research of the Electronic Workers. "We regard it as rape." But last summer Jackie Presser put his prestige as head of the Teamsters on the line by urging his members to approve a two-tier deal that would have allowed trucking companies to bring back some of their 100,000 laid-off workers at reduced wages. "The idea was to get our members back to work and covered by all our health plans," says a union spokesman.

Workers wind up on both sides of the issue too. The Teamsters' membership resoundingly rejected Presser's proposal. But at Boeing, 80% of the Machinists' local members voted in favor of a two-tier deal even though the union's national reps had recommended against it. Says William E. Bittle, an economist for the Machinists, "The longer you've been unemployed, the more grateful you are for the job once you get back." Some 7,000 Boeing workers are still laid off.

SOME of the pay cuts companies have demanded have been enormous. The Packard Electric Division of General Motors in Warren, Ohio, proposed a combination of salary and fringes of $6 an hour for new final-assembly workers. Current employees get $19.50 for the same job. "It's for youngsters just out of school or housewives who want a second income," says Packard public relations director Mary Jane Taylor. The proposal was voted down last August.

American Airlines' new pay structure reduces wages for new employees in almost every job category from janitor to captain. New pilots now start at $18,000 a year, excluding fringe benefits, instead of $36,000. Pilots with 12 years' experience, the highest seniority level, will top out at $55,000, vs. $110,000 now. Average salaries for new flight attendants will range from $12,000 to $16,000 a year, compared with $24,000 to $27,000 currently. For many new employees, the pay differential is impossible to bridge. Only baggage handlers and mechanics can work their way up to the old maximum pay levels. To win acceptance of the two-tier proposal, American offered current employees security for life.

Charles A. Pasciuto, vice president for employee relations at American, explains the company's plan by pointing to the labor cost advantages of new, non-union competitors. Out of every $1 in revenue they take in, he says, the new airlines pay workers 20 cents to 25 cents, vs. 39 cents at American. The two-tier plan is designed to reduce American's labor costs to 30 cents per dollar of revenue in the next ten years. "The established, full-service carriers could not afford to pay the wages that were the result of bargaining during an era of airline regulation," Pasciuto says.

Pasciuto denies that this plan creates separate and unequal classes of workers at American. "Even today we have people doing the same work for different wages because of seniority," he says. "We don't expect dissatisfaction because our workers are proud." He also thinks new employees should "thank management and our unions for coming up with agreements that enable American Airlines to grow and create their job opportunities." Whether American's newcomers will be able to manage that mix of pride and gratitude remains to be seen.

Even if the plans work well for a while, what about the future? What is going to prevent new hires from looking at older workers and their union leaders and thinking, why'd you do this to me? Labor relations executives like Pasciuto think that such dissatisfaction will be prevented by attrition and turnover among older workers.

Other businessmen and labor relations

RESEARCH ASSOCIATE *Jaclyn Fierman*

"I DIDN'T TRY TO BREAK THE UNION"

Greyhound Chairman John Teets ***thinks his bus line is competitive again.***

■ Greyhound Corp. Chairman John W. Teets takes offense at being called a union buster. Yet when the Amalgamated Transit Union rejected his demands for wage cuts and struck the largest U.S. bus line last November, Teets was ready with carefully laid plans to break the strike. He was convinced he had to reduce labor costs to compete with Trailways and discount airlines. Scores of strikers were arrested, and a picket was killed by a bus operated by a non-union driver. By threatening to replace all 12,700 union members, Teets won a tentative settlement that cuts salaries and benefits by an average of 14% for current employees and 19% for new hires. A born-again Christian and onetime body-building instructor, Teets, 50, says he jogs and climbs 19 flights of stairs a day. But he attributes his toughness to having surmounted tragedies in his life—in 1964 his brother and first wife died and the restaurant he was managing burned. After that he found God and Greyhound.

consultants aren't so sure. Roger D. Olson, vice president of labor relations for Giant Food, has lived with a two-tier plan for 18 months in Giant's stores in the Baltimore area. In that time the labor force working under the lower pay scale grew to 40% of all workers there. Olson says that worker dissatisfaction over salary discrimination could be a problem when the contract comes up for renewal in three years: "That's the monster we're building." Professor Herbert R. Northrup of the Wharton School contends that two-tier contracts could lead to "lots of intra-union strife that has the potential of splitting a union."

The tension could get ugly. Dan Glasner, a senior consultant at Hay Associates, a management consulting firm, points out that if the lower tiers become increasingly black, Hispanic, or female while upper tiers remain white and male, charges of discrimination and lawsuits could result. Legal experts hope that if this happens, the courts will understand the purpose of two-tier plans. "Workers will have the burden of proving that two-tier pacts were done with the intention to discriminate against one sex or minority group," says Andrew Kramer, a labor-law specialist at Jones Day Reavis & Pogue in Washington. Adds Professor Bernard Meltzer of the University of Chicago Law School, "If such plans can be shown to have a serious business justification rather than being a covert attempt by one group to do in another, I'd be surprised if responsible courts failed to uphold them."

■ The risk of two-tier contracts is that the sense of unfairness among the workers could hurt productivity. But when pay scales get so high companies can't compete with their U.S. counterparts, let alone the Taiwanese or Koreans, risks must be taken. Failing to reduce costs could eliminate everybody's job. ■

Just before rank-and-file employees were to vote on the new contract, Teets spoke with FORTUNE associate editor Gwen Kinkead about the company's strategy during the strike. Excerpts:

On why the company rejected the union's offer to extend the previous contract a year: Greyhound was no longer the lowest-cost operator. We felt this for a long time but didn't know it for sure until we went into a price war last year with Trailways and lost $16 million. At that time we asked the union for the same contract they gave Trailways. They refused. Our contract was 30% higher than that of Trailways, and we saw what could happen to us if we didn't get parity.

On preparations for the strike: We went into great detail. I learned long ago that you have to have plans, and backup plans. I try to plan everything that I can have some influence over down to the details. The No. 1 assumption was that we'd have to operate during the strike. Greyhound had never done that before. Lawyers were designated in 150 cities to go to court to get temporary restraining orders or injunctions where necessary. We trained 500 new drivers. We dug holes in the ground so that rent-a-fences could be put up overnight around our buses. We moved 300 executives to the field to help, and kept 75 key ones here to man the command center 24 hours a day. We had hand-held video cameras at every terminal so that if anyone damaged the property we didn't get into arguments—"Yes, you did," "No, I didn't." It's a federal violation to interfere with a moving intercity bus, and we wanted hard evidence.

On his reputation with labor as a union buster: I didn't try to break the union. If I had wanted to bust it, I'd have taken a whole different tack. We'd have said, "You have to take a 30% cut or else."

On hiring non-union workers: I don't consider that union busting. I consider that negotiating.

On why the union settled: The union misunderstood our resolve. They thought we would have to sign a contract by Christmas because, after all, Greyhound Lines had never been down on Christmas in its entire history. We'd already written Christmas off. We didn't go back to the bargaining table [after the union overwhelmingly turned down a 7.8% wage cut on November 29]. For the first time they realized that we didn't really care about a Christmas or a New Year's settlement, and we were looking long-range.

On the strike's cost: Our loss will exceed $25 million. It may be $35 million. We don't know exactly now because our accounting offices have been on strike too. If the strike had lingered on and not reached a settlement, it could have cost us as much as $50 million.

On the 1,300 employees hired during the strike: They'll remain as employees, though they'll be at the end of the seniority roster. We'll go back into the tour business, using some of these employees. We used to be No. 1 in tours, but had to get out of the business because we weren't competitive.

On who won the strike: The union employees still have their jobs and that's a victory because we were going to operate with all new employees—65,000 people applied for their jobs for less money. It's also a victory for us. We wanted parity with other major bus lines, and they voted parity in. [In the first year of the three-year contract, however, Greyhound says its wages and benefits will still be 18% to 35% higher than other major bus companies'.]

On how the two-tier contract makes Greyhound more competitive: If your contract is 30% to 50% higher than the competition's and you recognize that your employees are not going to take a 30% cut, which we never asked for, what's a compromise? So we agreed to a 14% cut for present employees and 19% for new ones. Turnover is 10% to 12% a year. Three years from now we'll have 30% new employees working at the much lower salary and 30% of the older employees will have retired at the higher salary. Taken together we have what we sought.

On cutting fares after the strike: Fares will definitely be lowered. On some routes they'll stay the same, on others they'll drop 15% to 20%, and on others as much as 30%. I doubt we'll meet airlines that are discounting below their cost because we know they can't do that for long.

On the attitude of striking workers returning to work: It could be there'll be resentment, or it could be that the economic realities will have sunk in. It's not the end of the day. They'll be back to the bargaining table in three years, and it'll be better for them to be working for a company that's profitable.